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OCTOBER 1984

Lawn&Garden Marketing

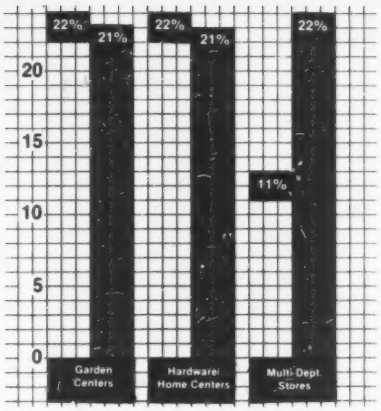
FERTILIZER UPDATE

Retailers switch brands, tactics – page 6

How Ace sets the pace for lawn and garden

Growing the Market

See page A-1



6 Cover Story: More retailers than ever are switching fertilizer brands. (Cover photo courtesy of Tom's Garden & Christmas World.)

A-9 Ace Insert: Ace buyers, such as Tony Drufke, above, practice the high degree of commitment the Ace organization pledges to its dealers and to manufacturers, as well.

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The merchandising magazine for lawn, garden and leisure living products.

6 Lawn fertilizer update: From switching brands to offering $5,000 guarantees, lawn fertilizer dealers employ a variety of marketing strategies described in this two-part article.

12 One supplier's view of the fertilizer business, The Andersons of Maumee, OH, maintains that lawn contract operators have given the Green Industry a tremendous boost.

14 Two retailers' use of radio helps to establish a home gardening audience and build business, too.

A-1 Ace sets the pace for the lawn and garden industry by combining corporate dedication with a rare blend of buyers and dealers who work together to turn products into profits.

32 In Chicago, the NHS was repackaged to provide better reception, more consideration for the lawn and garden industry.

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Coming in November/December: The annual Market Data Issue with new data from Gallup Poll of households, surveys of retailers by **LGM,** and data from the U.S. Dept. of Commerce, trade associations and other sources • 1985 Calendar of Events • Trends in Marketing Commercial Mowers • ABCs of Wood Splitting Equipment.

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LAWN FERTILIZER

Retailers switch brands, strategies to hold

■Retailers who have sold granular fertilizer for years have seen some tumultuous changes, primarily due to the growth of the LCOs (lawn care operators, who apply liquid fertilizers). Now, it seems that some suppliers and retailers are learning from the marketing strategies of LCOs and are changing their methods.

Even as some retailers were writing to report that the LCOs were inimical to their business of selling bagged, granular fertilizer, other retailers, and at least one major formulator, were counting the LCO activity as a plus for the industry.

Data from the retailers show that the retail sales increased in 1984 compared with 1983 and also as compared with 1981. These data were received in a special survey of retailers conducted this summer by **Lawn & Garden Marketing.**

Highlights from the survey and information from fertilizer industry sources revealed these impressions:

- The LCOs make more people aware of the beauty of green lawns, and some do-it-yourselfers are encouraged to apply their own fertilizer after seeing the results of the liquid applications on their neighbors' lawns.
- Home owners with larger property—one acre or more—are usually equipped with a lawn tractor and related equipment and find the LCOs to be prohibitive.
- The increasing number of the large suburban and exurban lots helps sustain the granular market.
- The four-step program introduced by O.M. Scotts this year was an effective marketing tool and will have some imitators.
- More retailers than ever are changing brands. There is an increasing number of private label granular fertilizers.
- One formulating company sees enough growth potential that it opened a new plant for lawn fertilizers and plans more expansion in the industry.

Also from the survey, 42.1 percent of the respondents reported sales were up with a median increase of 15 percent. A total of 37.7 percent said sales were about the same, and about 9.6 percent reported a sales decrease with a range from 8 to 30 percent and a median decrease of

$5000 guarantee on price wins fertilizer sales

By Steve Trusty

■Tom's Garden and Christmas World is a 42-year-old, second-generation garden center located 15 minutes west of Atlantic City, NJ. Tom's was founded by the father of present co-owners, Charlie and Bobby Caucci. They took over upon their dad's retirement five years ago.

Like many other garden centers, Tom's was receiving increased competition from chains and other independents. It was faced with the prospect of seeing many of its good customers going elsewhere to make their purchases.

According to Charlie Caucci, "We were seeing more and more footballing by everyone. We decided to meet all competition head-on. We wanted to keep our traffic flow and keep our customers."

Tom's felt that a low margin on fertilizer was better than losing customers. After much discussion and meeting with their attorney and other advisers, they came up with the following guarantee.

$5,000 price guarantee

"We guarantee that we will not be undersold! Tom's Garden World will beat any advertised price of our lawn and garden competitors in the Atlantic City press coverage area or you get $5,000. Present to us proof of price and ad prior to purchase, and we will beat that price. All items must be of equal size and quality. Tom's Garden World reserves the right to limit quantities and items to which this guarantee applies. Shop with confidence, largest selection, lowest prices and certainly the most friendly service."

How has the guarantee worked? Caucci says that the response has been tremendous, and there have been a number of side benefits to the guarantee.

He didn't have to study what the competition was doing with fertilizer prices. He spent less time figuring out the layout for fertilizer ads. He cut his fertilizer advertising dollars. He spent more time and space on other, higher profit, items.

Tom's has been able to maintain an average 30 percent margin on fertilizers this year. Total purchases were a little more than $100,000 at cost. Fertilizer sales have been about the same as last year. The bottom line though, according to Caucci, is sales, which were up 35 percent for the first six months of the year.

Ground rules explained

No one collected $5,000, although a few tried. When a person brought in an ad with a lower price several days after making a purchase, it was pointed out to them that competitors' ads must be presented at the time of purchase.

"When the ground rules were clarified for them, there were no hard feelings," Caucci says.

Tom's reserves the right to limit

UPDATE

market share

10 percent.

When asked how sales compared with 1981, 43.9 percent reported an increase, 18.7 percent about the same and 14 percent a decrease.

The totals do not add up to 100 percent because not all respondents carried lawn fertilizer (4.4 percent did not), not all answered the questions on 1981 sales and some were not in business at that time.

LGM's Product Movement Report for spring 1984 corresponds to the summer data. For the spring, 35.5 percent of the respondents said sales were up compared with the previous spring. About 37.3 percent reported sales were about the same, and 13.9 percent reported sales were down.

A common statement from retailers who reported reduced sales was that the LCOs are taking away business. The industry is growing rapidly. Households are spending from $1.5 to $1.8 billion annually with contract applicators, with annual sales increasing 20 to 25 percent a year. Total sales within five years are expected to be at $4 billion.

Related story:
The Andersons: A company to watch, page 12.

In the 1984 **LGM** survey, 41.5 percent of retailers answering the question "Have commercial contract applicators affected your sales?" responded yes; 58.5 percent said no.

Some people think that LCOs have increased the overall market, and with proper merchandising a good operator can continue to increase sales.

In a recent talk, Ronald A. Meier, manager of The Andersons' Lawn Fertilizer Div., said, "LCOs have given the green industry a tremendous boost, and we've ridden the growth curve with them. LCOs have greatly enhanced the public's awareness and joy in a healthy outdoor environment.

"While some volume has undoubtedly shifted from the retailers' shelves to the LCOs', we believe the overall market has grown because of them."

The Andersons is so sure that

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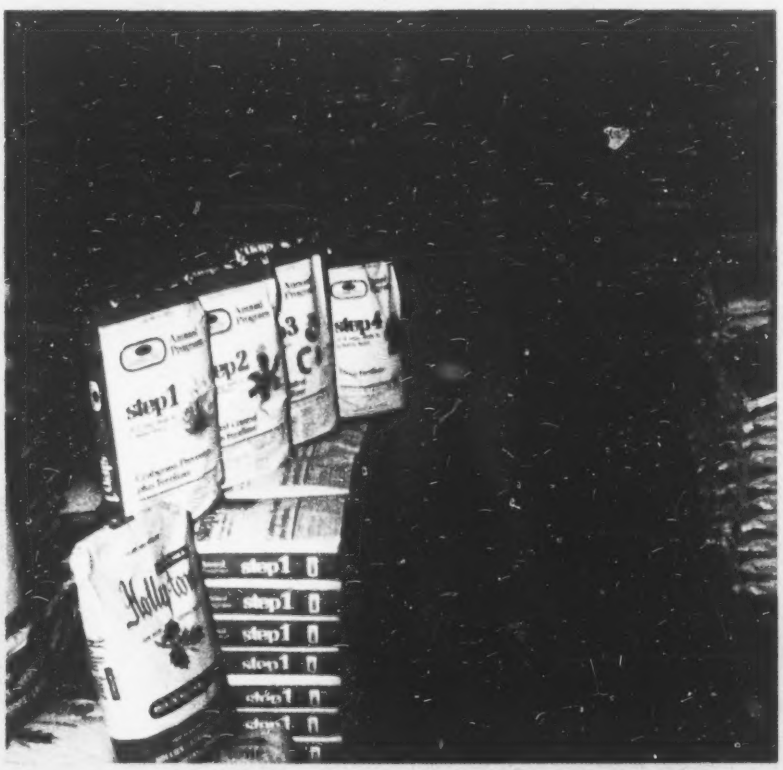
quantities to prevent a competitor from running an exceptionally low price and then sending people into Tom's to obtain their supply.

Whenever a customer brought in an ad for a product of low quality or small size not carried by Tom's, the reason for not carrying that item was explained and the qualities of Tom's products were emphasized. The price guarantee applies to all lawn and garden items, not just fertilizers.

Caucci stresses that knowledgeable in-store salespeople are a must. Selection and quality are equally important. The consumer must be able to shop with ease, receive good quality and be assured of fair prices.

As evidence of the consumers' interest in quality, Tom's tried a sale on a low-end fertilizer product. It did not go over well due to the lack of quality. The consumer wanted better results for his efforts.

Tom's innovative approach to an industrywide situation reinforces the advantage to viewing problems as opportunities. □



Lawn fertilizer continued from page 7

the fertilizer market is going to continue to increase that it has just completed a new plant, which has the second-largest lawn and garden production capacity in the business.

Total sales up

Ralph Gaudio of The G Boys in Marlton, NJ, just east of Philadelphia, says his fertilizer tonnage is definitely up, and LCOs have not hurt business. There are more people wanting a better yard.

Don Zimmerman, assistant general manager of Armstrong Garden Centers in Monrovia, CA, says fertilizers are down as a percent of total business, but total sales for fertilizer are up compared with a year ago. In Southern California, people tend to "buy lots of color for the yard," and lawn services are not affecting sales.

"There is practically no lawn service business here," he says.

A Midwestern dealer says, "Sales are up, and we don't feel threatened by the lawn service companies."

Another eastern dealer, Charlie Caucci of Tom's Garden World, near Atlantic City, NJ, says, "Lawn fertilizer sales are about even with 1983, but 1983 was 34 percent above 1982."

What can a dealer do to increase fertilizer sales and obtain a larger market share?

One person suggests, "Let the lawn service companies continue their heavy ad schedules, their billboards and bright trucks and let the dealer tout the ease of application, low cost per square foot, the joy of doing it yourself, and between the two, the whole market will increase. The expensive job of educating the public will be accomplished."

Meier says that point-of-purchase material is a key to increased sales. Displays and packages should be eye catching, and a little information, but not too much, should be provided.

Stores must also have informed clerks, according to one dealer in the Midwest. They must be able to give answers, solve problems and help the customer get results.

Zimmerman says that service is the key. Employees must be able to help the customer obtain the best results they can. To accomplish this, Armstrong employs people with degrees in horticulture, some certified by the California Assn. of Nurserymen.

Quality needed

Many dealers feel that lawn fertilizer has become a commodity product and should be treated as such. Today's consumers demand quality. They are looking for results, and they are more aware that to get results, they need to apply quality products.

"The consumer is looking for a good fertilizer at a good price," says Gaudio.

Agreed one dealer, "We tried a low-end, low-priced fertilizer sale one weekend, and it bombed. We were left with a lot of low quality fertilizer and more customers' questions than we had anticipated."

Several dealers say they had very good success taking a page from the LCOs' book and selling a three- or four-step program in the spring. Some retailers simply provide a written program outlining the steps people should take to assure a more beautiful lawn.

They can purchase items as needed, or they can pick up everything in one trip to the store. Other retailers display the three or four suggested products together and offer a special price on the combination of products.

Scotts' program is a little different. Called the Lawn Pro Annual Program, it is available only to Lawn Pro dealers. The series provides products from early spring through late fall for do-it-yourselfers and costs about half of what an average lawn care service charges for a 5,000-square foot lawn.

The program was available only in the Northeast and the eastern half of the Midwest this year but will be expanded for 1985.

The program results were substantially better than anticipated, according to a Scotts spokesman.

"It provides the home owner an opportunity to get results at a lower cost versus the applicator. The guesswork is taken out. The Lawn Pro dealer is available to answer any questions, and the consumer is used to the idea of a four-step program from the lawn service advertising," says the spokesman.

Other fertilizer companies are offering multi-step programs, and some dealers are putting their own together. As with everything, there

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One supplier's view of the fertilizer business

■The Andersons of Maumee, OH, opened a new lawn fertilizer production plant near its headquarters this year and in 1985 will open another new plant to serve the East Coast lawn business.

Ronald A. Meier, manager of this division of the company, described their approach to this market at a press conference to demonstrate the company's commitment to this business and to show off the new plant.

"The Andersons fertilizer division is in its 21st year. We're out of our formative years and ready to flex our muscles," he said.

Following are the highlights of his talk:

"We started out in a plant vacated by the Ag Products Group when their huge new plant was completed in the early '60s. At the same time, the company began selling garden supply items in our Maumee general store. Our Cob Division was already producing a wide range of pesticide carriers and fertilizer bulking agents. So, several key resources were available to us and they significantly enhanced our growth.

"We're now the fifth largest lawn and garden fertilizer manufacturer out of the 200 companies supplying the green industry. Our Maumee plant has the second largest lawn and garden production capacity in the business, surpassed only by our Ohio neighbors, O. M. Scott.

"We produce over 500 finished products—fertilizers, insecticides, herbicides, fungicides and many combinations of these products. These are packaged in sewn, open-mouth bags, pinch-bottom paper bags and heat-sealed plastic bags ranging in size from 5 pounds to 60 pounds. In addition, we produce a wide range of small package shelf items—from canisters to bags to boxes in sizes from 2 to 10 pounds.

"The lawn fertilizer division distributes products in 35 states with our targeted market being the Snowbelt from the Rockies to the Atlantic. About two-thirds of our output is sold to retailers. We are the fourth largest mass merchant private label manufacturer in the United States. The balance of our production goes to the professional-user segments, mainly lawn care operators (LCOs) and golf courses.

"LCOs have given the Green Industry a tremendous boost and we've ridden the growth curve with them. LCOs have greatly enhanced the public's awareness and joy in a healthy outdoor environment. While some volume has undoubtedly shifted from the retailer's shelf to the LCOs, we believe the overall market has grown because of them.

"Our goal is to provide excellent service to our customers. We strive to have orders received on Monday delivered by the weekend. Products are palletized and stretch-wrapped to arrive promptly in good, saleable condition. Our graphics capability is second to none in the industry....

"Our lawn fertilizer division is a separate profit center from other company operations. We have our own management team, sales force, distribution department, quality assurance staff, and production facility. We are able to focus totally on the needs of the Green Industry.

"But we do utilize the strengths of our sister divisions. Our Ag Products Group supplies us with strong purchasing power and enormous backup storage....They have the largest fertilizer blend plant in the world just 100 feet from our lawn plant. Ag Products can store over 200,000 tons of raw materials at Maumee....

"In the future, we will be expanding in other market regions. We are finalizing the purchase of a plant to serve the East Coast....

"We are widening our product lines beyond our mainstay dry granular products. For the first time, we will produce liquid products. Our initial offering will be for the do-it-yourself sector. Products will be private labeled for mass merchants and sold under our own label called Green Sweep. We believe this is a product which will fill a long-felt void in the marketplace.

"In summary, we are excited about our industry as a growth opportunity for our company. We've committed substantial resources to the business and plan to be a strong presence in the market of the future." □

Lawn fertilizer

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are advantages and disadvantages to the concept. An advantage is that if customers buy the most basic needs at one time, they are going to be assured of better results, since they are less likely to skip a step.

The entire sale is made at once, so a sale is not going to be missed because the consumer buys the product elsewhere.

One potential disadvantage is that the customer may not come back the two or three times he might have to in making separate purchases for each step. This could be offset with advertising and merchandising to bring the customer back for other items. A plentiful supply of consumer services can help.

Private label fertilizers

Several dealers report a greater use and interest in private label fertilizers. An individual dealer can have a fertilizer formulated to specifications. Retailers can increase their margins on private labels because their own products are not directly comparable to a brand sold by other retailers.

Those dealers carrying private label fertilizer sell anywhere from 5 to 100 percent of their total lawn fertilizer sales as private label. The median was 60 percent.

To counteract any potential loss of sales to lawn care contractors, some retailers are setting up their own lawn service departments. (See "Lawn Care Contracting: Threat or opportunity for retailers?" in the March 1984 **LGM**.)

Some retailers are taking advantage of the LCO market by selling chemicals and fertilizers to the custom applicators. About 17.5 percent of those completing **LGM's** survey reported such sales. Also 17.5 percent reported that they apply chemicals and fertilizer to residential and commercial lawns. In some, but not all, cases, the same company acted as a custom applicator and also sold to custom applicators.

Most retailers are optimistic about continued increased lawn fertilizer sales. Retailers that look at their situations and look at ways to increase sales can maintain their share of the market and include lawn fertilizers as a healthy percentage of overall sales. □